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## INDICATIONS JOURNAL

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1. General - Economic - POL  
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There are a number of reports of renewed Chinese Communist interest in purchasing kerosene and diesel fuel through Hong Kong and Macao.

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Throughout January and February, pro-Nationalist press despatches from Macao indicated that the Chinese Communists were attempting to purchase kerosene and other products, offering above market prices. A news despatch of 9 February reported that a Chinese Communist trading agency had been recently authorized to purchase 1,800,000 tons of lubricants and 1,500 tons of diesel fuel. The American Consulate General at Hong Kong reported on 1 March that the Chinese Communists were intensifying efforts to obtain POL, chiefly through Macao.

It was also reported on 1 March by the Consulate General that the Communists were endeavoring to charter "several tankers to move kerosene and diesel to Pearl River ports and were offering premium rates." This report seems to have been borne out by the case of the Finnish tanker, Aruba which recently turned back without delivering her cargo of kerosene to Whampoa.

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Comment: The Consulate General at Hong Kong observes in its telegram of 1 March that there has been a change from an easy POL supply position over the last two years to a sudden tight and apparently urgent position since December. The report states further that this is regarded by some as evidence of Chinese Communist stockpiling. It should be noted, however, that it would be difficult for the Chinese to obtain large quantities of POL from Hong Kong without a corresponding increase in shipments into Hong Kong, since POL stocks normally maintained there are relatively small (about three months supply).

According to the Consulate General, it is difficult to gauge quantities received by the Chinese; its estimate was 500 tons each of kerosene and light diesel fuel, smuggled chiefly through Macao since late 1954. In December the Consulate General reported that the fishing junks had resumed their old practice of pumping excess bunkers into oil drums at isolated piers in Macao and returning to Hong Kong under sail. This practice was widespread three years ago.

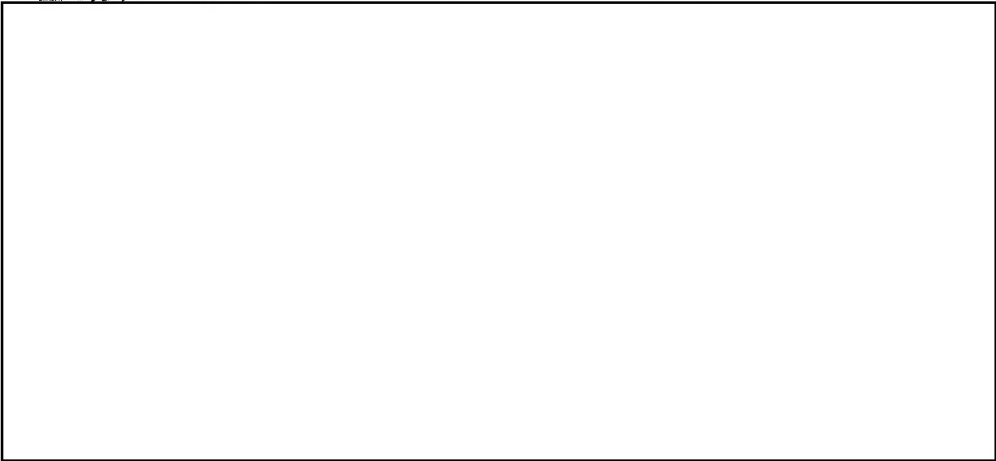
Although the amounts involved seem small from a direct military standpoint, the sudden demand for these products would appear to indicate at least a shortage for civilian consumption in the South China area. Such a shortage may be the result of diversion to the military.

Along with the increased demand for POL in the South China region, it is interesting to note that the total seaborne imports through Whampoa in 1954 (mainly in the last half of the year) were at least 43,000 tons in comparison with only 8,300 tons in 1953. A part of the POL tonnage NSA, STATE reviews completed

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imported through Whampoa in 1954 represents a diversion of ships to South China ports after the seizure of the Soviet tanker, Tuapse, in June. Nevertheless, total seaborne imports of POL to China increased greatly in 1954 over 1953.



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